

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 L-03 H-03 PA-04 PRS-01 USIA-15 DRC-01 /155 W

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R 310934Z MAY 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 3966

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E.O. 11652: N/A

TAGS: EGEN, EFIN, RP

SUBJECT: CENTRAL BANK CREDIT LINES

REF: MANILA 2750

BEGIN UNCLASSIFIED

1. ON MAY 27 PHILIPPINE CENTRAL BANK OFFICIALS SIGNED FOURTH CREDIT LINE AGREEMENT WITH REPRESENTATIVES OF FOREIGN BANKS. LINE AMOUNTS TO \$150 MILLION AND WAS SYNDICATED BY KUHN, LOEB AND CO., BANCOM DEVELOPMENT CORPORATION, BANQUE AMERIBAS, CHEMICAL BANK AND PRIVATE INVESTMENT COMPANY FOR ASIA TO A TOTAL OF 47 FOREIGN FINANCIAL INSTITUTIONS.

2. CENTRAL BANK HAD PREVIOUSLY CONCLUDED CREDIT LINES FOR \$150 MILLION WITH A SYNDICATE OF JAPANESE BANKS INCLUDING SANWA, MITSUI, DAICHI KANGYO, TOKAI AND KYOWA; FOR \$200 MILLION WITH A SYNDICATE OF 82 EUROPEAN BANKS LED BY MANUFACTURERS HANOVER AND LONDON MERCHANTS BANK; AND \$150 MILLION WITH 15

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AMERICAN COMMERCIAL BANKS LED BY MANUFACTURERS

HANOVER TRUST.

3. THE CENTRAL BANK'S CREDIT LINES HAVE BEEN SET UP ON A REVOLVING BASIS FOR A FIVE-YEAR PERIOD WITH PROVISION FOR RENEWAL EVERY SIX MONTHS. INTEREST RATES FOR THE LINES WILL REPORTEDLY FLOAT ONE AND THREE-EIGHTS PERCENT ABOVE EURODOLLAR RATES. COMMITMENT FEES WILL BE ONE-HALF PERCENT ANNUALLY. END UNCLASSIFIED.

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4. THE CENTRAL BANK ALSO IS HOPING TO OBTAIN UP TO \$140 MILLION IN ADDITIONAL FOREIGN EXCHANGE BORROWING AUTHORITY FROM THE PLANNED INTERNATIONAL MONETARY FUND FACILITY TO ASSIST DEVELOPING COUNTRIES TO COPE WITH BALANCE OF PAYMENTS RESULTING IN CALENDAR 1974 FROM HIGHER OIL IMPORT COSTS. KEMAL SIBER, INTERNATIONAL MONETARY FUND REPRESENTATIVE TO THE PHILIPPINES, REPORTS THAT THE FUND'S LEADERSHIP IS OPTIMISTIC ABOUT THE CHANCES FOR ESTABLISHING THIS FACILITY EARLY IN THE SECOND SEMESTER OF 1973. HOWEVER, SIBER STATED THAT THE SURPRISINGLY GOOD PHILIPPINE BALANCE OF PAYMENTS PERFORMANCE IN THE FIRST HALF OF 1974 APPEARS LIKELY TO PREVENT THE PHILIPPINES FROM QUALIFYING FOR USE OF THE FACILITY. SIBER NOTED THAT CRITERIA FOR THE IMF'S ORDINARY RESOURCES ARE BASED ON THE FISCAL YEAR, AND HIS FEELING IS THAT THE PHILIPPINES' BALANCE OF PAYMENTS' PERFORMANCE ON A FISCAL 1975 BASIS WILL BE SOMEWHAT POORER THAN ON A CALENDAR YEAR 1974 BASIS.

5. PHILIPPINE SECRETARY OF FINANCE VIRATA HAS ALSO MENTIONED TO THE ECONOMIC/COMMERCIAL COUNSELOR PHILIPPINE INTEREST IN OBTAINING A CREDIT LINE FROM THE KUWAIT INVESTMENT CORPORATION AND WHITE, WELD AND COMPANY. ACCORDING TO VIRATA THE AMOUNT BEING DISCUSSED IS \$60 MILLION AT AN INTEREST RATE OF 8 PERCENT. SULLIVAN

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